

**MILFORD BUDGET ADVISORY COMMITTEE
MINUTES FROM MEETING WITH BOS (06/18/04)**

Present at Meeting:

Therese Oriani-Muller (Chair)

Members: Bill Fitzpatrick, Michael Roske, Joe Stella

BOS MEMBERS PRESENT AT MEETING:

Cynthia Herman, Noreen O'Connell, Gary Daniels, Len Mannino, Larry Pickett

OTHERS PRESENT AT MEETING:

Katie Chambers (Town Administrator), Rose Evans (Town Finance Director), Ruth Bolduc (Town Human Resources Director)

TOPIC OF DISCUSSION: Town of Milford Wage and Benefits Policies

CURRENT WAGE & BENEFITS:

Katie Chambers and Ruth Bolduc presented information regarding the town's current wage and benefits philosophy and future changes that are already planned. Ruth provided a very detailed description of insurance benefits that has been attached to these minutes. The Human Resources department was established in the town in recent years to manage the varied benefits programs previously administered by the BOS.

The Town currently has 109 funded positions, with 105 employees.

Overall, wages and benefits account for approximately 58% of the Town's Operating Budget, about \$5.86 million in 2004. Benefits expenses are approximately 35% of wage expenses. (i.e. about \$2.05 million is benefits, \$3.81 million is wages).

The town's workforce is divided roughly in thirds: 1/3 of the workforce is non-union. 1/3 are members of the Teamsters union, and 1/3 are members of AFSCME (the Police union). Wage and/or benefits changes for the union workers are restricted by collective bargaining agreements (CBAs) agreed to at Town Meeting. The non-union workers are not legally restricted by these agreements, but problems can arise if these workers are not treated in a comparable fashion, including morale issues and administrative costs of implementing multiple plans. For this reason, wages and benefits are currently very consistent across all three groups.

For the Teamsters and the non-union workers, an annual performance review is conducted, and wage increases (if any) are granted based on merit.

For AFSCME members, the union is working on a merit system, but none is in place at this time. The CBA includes an annual increase in a "horizontal" manner, granting an increase to workers who perform their duties over the course of the year. The CBA also includes "vertical" increases for promotions based on seniority and testing. Currently there is no evaluation component of promotion.

In general, for municipal workers, the pay scales are lower, with no profit sharing or bonus plans, but the benefits are more generous, covering paid time off, health, dental, disability, retirement, and many other smaller benefits for working in Milford. Wages and benefits in Milford are comparable to other communities, as verified by a wage and benefit survey performed every 3 years. The town's expenses are also compared to the New Hampshire Municipal Association survey published annually.

BENEFIT: PAID TIME OFF:

The BOS pointed out that paid time off results in the necessity of hiring 1 additional worker for every 10 workers just to cover for time off. The concept of "use it or lose it" is deeply ingrained in the town workforce, resulting in high usage of the time off benefit.

Vacation: Workers earn 2 weeks per year for the first five (5) years of employment, 3 weeks per year for years 5-10, and 4 weeks per year after 10 years of employment. Each worker may carry 50% of his or her annual accrual into the following year. For example, an employee earning 2 weeks per year could have up to 3 weeks of vacation in the following year. Accruals over and above this 150% level are lost and not paid. This gives workers an incentive to use their vacation or risk "losing it."

Sick Time: Each worker is allocated 120 hours of sick time as of January 1 each year. If no sick time is used between December 1 and November 30 of the following year, then 60 hours of wages are paid out as a cash incentive bonus in December.

The sick incentive is paid on a sliding scale if sick time is used during the year.

Personal Time: Each worker is allocated 20 hours of personal time on January 1 each year, or on the first day of the month after they have been a town employee for 90 days. The town is seeking to amend this rule, as employees who are hired in August are given 20 hours of personal time in December which they must use by the end of the year or "lose it."

BENEFIT: HEALTH:

Workers have a choice of a single, two-person, or family level for any of the town's health options. The town currently offers 3 plans:

CIGNA HMO offered through SchoolCare

Point of Service (POS) plan

Indemnity Plan - high cost, currently no employees enrolled

The town currently pays 100% of the cost of the HMO plan for any employee. This is \$5400 per year for a single employee, and approximately \$13,000 per year for a family. Employees choosing the POS plan pay the difference in cost. Beginning on 7/1/04, non-union employees will also pay 5% of the cost of the HMO plan, lowering the town's share to \$5130 per year for individuals and \$12,350 per year for families. The Teamsters union has also negotiated a 5% cost sharing effective 7/1/04, but this will be charged retroactively if the contract is approved by the voters in March 2005.

Pay raises in this contract will also be awarded retroactive to 7/1/04.

AFSCME members pay 2.5% of the HMO cost as of 4/1/04.

It was noted that adding the 5% burden will lower the take-home wages of some low-paid town employees. The BOS has requested that Rose Evans and Ruth Bolduc detail the number of employees affected, together with documentation of the amount

already paid by the town for health insurance. It is believed that workers in this group could avoid some of the problem by increasing their working hours. These workers may need to realize the large cost borne by the taxpayers for their employment. Employees who opt out of health coverage are paid 40% of the town's contribution (\$2160) each year.

BENEFIT: DENTAL:

Dental benefits are handled in a similar manner to health benefits. 3 levels of coverage are available, to single, two-person, or family households. The town pays the cost of the single, basic coverage option, and the employee is responsible for the cost delta for any other option.

As with health benefits, employees who opt out of coverage are paid 40% of the town's contribution each year.

BENEFIT: DISABILITY:

The town offers short-term disability coverage at no cost to employees. The insurance pays 2/3 of the employees salary for a term not to exceed 6 months, after all paid leave is exhausted. The town contributes the other 1/3 of salary directly, leaving the employee with no loss in pay.

The town offers long-term disability at the option of the employee. This benefit is fully paid by the employee.

Worker's Compensation insurance covers 60% of an employee's wage, and the town pays the other 40%.

BENEFIT: RETIREMENT:

All town employees working 35 hours or more each week are eligible for the state retirement system. Employees contribute 5% of pay to join this plan. Firemen may contribute up to 9.3% of pay, as they are excluded from Social Security benefits. The town matches these contributions with 14% of wages for firemen, about 7% for AFSCME, and about 5% for others.

The town also offers access to the state's 457 plan, similar to a 401(k) plan.

BENEFITS: MISCELLANEOUS:

In addition to these benefits, non-resident town workers also have access to the same town facilities as residents, such as the Library, at no charge.

Employees may purchase computers using 2-year 0% interest loans funded by the town.

Employees are not charged for Ambulance service that may be required.

Hampshire Hills offers 50% membership discounts to town employees, which is covered under the town's contract.

The town offers a tuition assistance pool of \$5000 per year total for police, and slightly more for other unions, for job-related courses where the employee receives a passing grade.

OTHER DISCUSSION:

The town has a turnover rate of less than 10% annually. The median age of employees is 45, resulting in higher costs for the town if Milford workers are placed into a single insurance group.

The Town also offers retirees the same benefits as active employees, but retirees must pay the entire cost of benefits.

As a member of the SchoolCare System, the Town is locked into a contract from 7/1 until 6/30. Written notice of non-continuation is required 45 days prior to 6/30 if the Town chooses not to renew the contract. A letter is being prepared to request that the Town have an option to leave on 1/1/05 if a lower-cost insurance provider can be located.

PRIMEX, the town's current workers' compensation administrator, has offered a plan through Harvard Pilgrim that would save the town approximately \$50,000 annually with comparable benefits. \$75,000 could be saved by increasing office co-payments and deductibles. However, these savings could be quickly eliminated if the town's costs rise due to being a insurance group "all our own," especially if any catastrophic illness or accident occurred while insured through PRIMEX.

15% increases are anticipated in insurance costs, but no solid numbers are currently available.

PROCESS MOVING FORWARD:

The BOS and BAC will meet again on Wednesday, 6/23 from 5:30pm until 7:30 pm to continue discussion of future benefits for town workers.

The town has a unique opportunity this year to attempt even closer alignment between non-union, Teamsters, and AFSCME unions as all contracts are up for long-term negotiations at the same time. This has not happened in many years.

ACTION ITEMS:

Rose Evans and Ruth Bolduc will prepare a detailed listing of the wage and benefits ranges across the town.

Ruth Bolduc will determine statistics regarding the time of employment for town workers.

The BOS will continue wage and benefit discussions from 5:30-7:30pm on Wednesday 6/23.

NEXT BAC MEETING 6/22/04 AT 7PM-PLACE TO BE DETERMINED

** ATTACHMENTS: 1) Status of Insurance Benefits, by Ruth Bolduc.